

through by a syndicate of politicians, who became large subscribers to the stock of the various branches. They opened negotiations with the managers of the old bank for the sale of the franchises and the latter made the purchase upon the condition that Hugh McCulloch, who had been for twenty years manager of the old Fort Wayne branch, should be made the president. The bank weathered the crisis of 1857 without suspending specie payments and rapidly retired its circulation when gold went to a premium in 1862. The bank was required by the conditions of its charter to pay its notes in coin, but a decision was obtained from the Supreme Court of the State that the United States legal tender notes were lawful money and could be lawfully used for the redemption of the notes. The circulation was reissued upon this basis, but upon the imposition of the ten per cent, tax on the circulation of State banks the State Bank of Indiana wound up its affairs with ample assets and unimpaired credit.¹

The suspension of specie payments at the outbreak of the Civil War drove gold and silver from circulation and required an expansion of bank-note issues to maintain the volume of the currency. The Suffolk system continued in operation at Boston, but the notes failed to flow in as rapidly as before for redemption. The fact was noted and commented upon, by the reports of the bank commissioners of Maine, New Hampshire and Massachusetts in their annual reports at the close of 1862 and among the reasons assigned was the fact that ' * in the present unsettled state of public affairs, the people have more confidence in the bills of the local banks than in any other paper currency. "a Other reasons suggested were the large sums carried by soldiers to the seat of war and other sums left to be expended by their families, and the large amount of Eastern bills sent to the West by

¹ McCulloch, Ch. xi.-xii.

² Report of the Bank Commissioners of Maine, December 8, 1862, in *Annual Report of the Secretary of the Treasury on the Condition, of the Banks of the United States at the Commencement of the Year* j86j, p. 3-